

Message Text

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SUBJ: KOREAN-SAUDI JOINT ECONOMIC COOPERATION COMMITTEE MEETING

REF: DHAHRAN 1008

SUMMARY: THE SECOND MEETING OF THE KOREAN-SAUDI ARABIAN JOINT ECONOMIC COOPERATION COMMITTEE WAS HELD AT SEOUL AUGUST 16 TO 20. THE DELEGATIONS, HEADED BY THE RESPECTIVE VICE MINISTERS OF FOREIGN AFFAIRS, DISCUSSED A WIDE ASSORTMENT OF TOPICS AND, AS REFLECTED IN THE JOINT COMMUNIQUE, REACHED A LARGE MEASURE OF AGREEMENT ON HOW TO PROCEED IN BILATERAL ECONOMIC RELATIONS. IN ADDITION TO HIS PARTICIPATION AT THE COMMITTEE MEETINGS, THE SAUDI VICE MINISTER CALLED ON THE DEPUTY PRIME MINISTER AND THE MINISTER OF FOREIGN RELATIONS. ROKG SOURCES TOLD US THAT ALTHOUGH THERE WERE NO BREAKTHROUGHS ON JOINT CAPITAL VENTURES OR ADDITIONAL SAUDI AID, THEY WERE HAPPY WITH THE TONE AND RESULTS OF THE MEETINGS. FOR EXAMPLE, SAUDIS OFFERED NON-DISCRIMINATION IN AWARDING CONTRACTS AND ADMITTING FOREIGN LABORERS. END SUMMARY.

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1. THE SECOND ANNUAL MEETING OF THE KOREAN-SAUDI ARABIAN JOINT

ECONOMIC COOPERATION COMMITTEE ESTABLISHED BY THE 1974 BILATERAL ECONOMIC AND TECHNICAL COOPERATION AGREEMENT WAS HELD AT SEOUL, AUGUST 16-19. THE KOREAN DELEGATION OF 24 WAS HEADED BY VICE FOREIGN MINISTER YOON HA-JONG, AND THE SAUDI GROUP OF 15 BY DEPUTY FOREIGN MINISTER FOR ECONOMIC AND CULTURAL AFFAIRS, ABDULLAH MOHAMED ALIREZA (WHO WAS CALLED BACK TO JIDDA TWO DAYS BEFORE THE CLOSE OF THE COMMITTEE MEETINGS).

3. AT THE MEETINGS KOREA SOUGHT INCREASED ASSISTANCE THROUGH THE SAUDI FUND FOR DEVELOPMENT, LESS STRINGENT GUARANTEE REQUIREMENTS FOR KOREAN CONTRACTORS DOING BUSINESS IN SAUDI ARABIA, ESTABLISHMENT OF A JOINT VENTURE BANKING INSTITUTION TO FACILITATE JOINT CAPITAL VENTURES, AND ASSURED ACCESS FOR KOREAN FIRMS TO CONTRACTS FOR DEVELOPMENT PROJECTS IN SAUDI ARABIA AS WELL AS FREEDOM OF ENTRY FOR KOREAN WORKERS. IN ADDITION, THERE WAS DISCUSSION OF EXPANDED TRADE RELATIONS.

4. THE JOINT COMMUNIQUE ISSUED AT THE CONCLUSION OF THE MEETINGS STATED THAT THE "COMMITTEE REACHED MUTUALLY SATISFACTORY UNDERSTANDINGS AND ARRANGEMENTS IN THE INTEREST OF FURTHER PROMOTING CLOSER COOPERATION IN MANY FIELDS". VAGUELY WORDED, THE COMMUNIQUE MENTIONS THE SUBJECTS THAT WERE DISCUSSED BUT DOES NOT CITE ANY INSTANCES OF SPECIFIC AGREEMENT. AMONG THE AREAS GIVEN PARTICULAR ATTENTION IN THE COMMUNIQUE ARE: KOREAN PARTICIPATION IN SAUDI DEVELOPMENT PROJECTS, FINANCIAL COOPERATION, TRADE EXPANSIONS, MANPOWER COOPERATION, AND CULTURAL AND SCIENTIFIC EXCHANGE. IN NO CASE IS THE READER ANY THE WISER AS TO WHAT IF ANYTHING THE TWO ACCOMPLISHED.

5. ROKG OFFICIALS TOLD US THAT THEIR SIDE WAS GENERALLY PLEASED WITH THE RESULTS OF THE MEETING EVEN IN THE ABSENCE OF TANGIBLE RESULTS. HUH SEUNG, CHIEF, ECONOMIC COOPERATION DIVISION, MINISTRY OF FOREIGN AFFAIRS (MOFA), TOLD US THAT THE KOREANS ASKED THAT THE SAUDIS CONSIDER EXTENDING FINANCIAL ASSISTANCE OF \$70 MILLION PER YEAR DURING THE FOURTH FIVE YEAR PROGRAM (-1977-81) AND THAT SAUDIS REPLIED THAT THEY WOULD FAVORABLY COMMEND THE PROPOSAL TO THE SAUDI FUND FOR DEVELOPMENT (SFD). HE SAID THAT THE SAUDIS ADVISED THAT THEY HAD REVISED THEIR REGULATIONS CONCERNING GUARANTEES REQUIRED OF CONSTRUCTION CONTRACTORS AND THAT HENCEFORTH THE DOUBLE GUARANTEES WOULD LIMITED OFFICIAL USE

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NOT BE REQUIRED. NEITHER HE NOR CHO KYUNG-SHIK, DIRECTOR, OFFICE OF ECONOMIC COOPERATION FOR THE MIDDLE EAST, ECONOMIC PLANNING BOARD (EPB) KNEW EXACTLY WHAT THE NEW REGULATIONS WOULD BE. ON THE JOINT VENTURE BANK PROPOSAL, WHICH WAS NOT MENTIONED IN THE COMMUNIQUE, THE SAUDIS AGREED TO FURTHER CONSIDERATION. ACCORDING TO THE KOREAN OFFICIALS, THE BANK WOULD BE A PRIVATELY OWNED INVESTMENT BANK. AS FOR KOREAN INTEREST IN CONSTRUCTION PROJECTS, THE SAUDIS INSISTED THAT THERE WAS NO DISCRIMINATION

AGAINST ANY COUNTRY EITHER IN AWARDING CONTRACTS OR IN THE ADMISSION OF FOREIGN LABORERS, ROKG OFFICIALS TOLD US.

6. QUESTIONED CLOSELY ABOUT THE LABOR QUESTION, NEITHER ADMITTED BEING AWARE OF ANY PROBLEMS FOR KOREAN LABORERS GETTING PERMISSION TO WORK IN SAUDI ARABIA. CHO TOLD US THAT AT PRESENT THERE WERE BETWEEN 9,000 AND 10,000 KOREAN WORKERS IN SAUDI ARABIA, 70 PERCENT OF THE APPROXIMATELY 14,000 KOREANS NOW EMPLOYED IN THE MIDDLE EAST. HUH SAID THAT HYUNDAI HAS GOTTEN SAUDI APPROVAL TO BRING IN 6,500 KOREAN WORKERS FOR THE JUBAIL PORT PROJECT FOR WHICH THAT COMPANY HAS A CONTRACT. CHO ALSO SAID THAT THE NUMBER WAS ABOUT 6,000. BOTH CLAIMED THAT THE SAUDIS HAVE NOT SET ANY CEILING ON THE NUMBER OF KOREANS THAT WOULD BE ALLOWED TO BE PRESENT IN SAUDI ARABIA. CHO REMARKED THAT THE SAUDIS HAD INDICATED THAT THEY WERE FAVORABLY IMPRESSED WITH KOREAN WORKERS. THE COMMUNIQUE ITSELF STATES THAT THE COMMITTEE "RECOGNIZED THE IMPORTANCE OF MANPOWER COOPERATION AND HAS DELINEATED THE CORRECT COURSES OF ACTION WHICH SHOULD BE TAKEN TO INSURE A SMOOTH AND EFFICIENT FLOW OF MANPOWER WITH A MINIMUM OF DELAY AND FOR THE PROTECTION OF BOTH THE INDIVIDUAL AND THE COMMUNITY WITHOUT ANY BIAS". NEITHER KOREAN COULD TELL US WHAT THE WORDING WAS TRYING TO SAY, ALTHOUGH CHO SAID THAT THE WORKING WAS SAUDI. HE ADDED THAT THE KOREAN PURPOSE IS TO GET MOST FAVORED NATION STATUS FOR ENTRY OF ITS WORKERS. NO FINAL ACCORD WAS REACHED ON THIS POINT BUT THE KOREANS APPARENTLY CAME AWAY HAPPY WITH THE PROGRESS MADE.

7. HUH TOLD US THAT ON THE QUESTION OF TRADE EXPANSION THE SAUDIS TOLD THE KOREANS THAT THEIR FIRST CONCERN IN TRADE WAS PRICE AND THAT, BECAUSE OF THE "BURDEN OF ARAB SOLIDARITY (NECESSITY TO PROVIDE ASSISTANCE TO OTHER ARAB STATES), THEY HAD TO BUY AT THE LOWEST POSSIBLE PRICES. HUH ALSO SAID THAT LIMITED OFFICIAL USE

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THE SAUDIS REMARKED THAT COUNTRIES SELLING TO SAUDI ARABIA SHOULD GIVE THE LOWEST POSSIBLE PRICES IN CONSIDERATION OF THE SAUDI EFFORTS AT KEEPING OIL PRICES "LOW".

8. COMMENT: KOREA HAS MADE GREAT PROGRESS IN THE SAUDI MARKET. IN THE FIRST SEVEN MONTHS OF 1976 KOREAN MERCHANDISE EXPORT LETTER OF CREDIT ARRIVALS HAVE INCREASED BY 225 PERCENT OVER SAME PERIOD 1975 TO \$150 MILLION. IN ADDITION, THE KOREANS HAVE BEEN AWARDED CONSTRUCTION CONTRACTS FOR SAUDI PROJECTS IN EXCESS OF ONE BILLION DOLLARS DURING 1976. OIL IMPORTS FROM SAUDI ARABIA, HOWEVER, INCREASED 33 PERCENT OVER SAME PERIOD 1975 TO \$302 MILLION FROM JANUARY TO JULY THIS YEAR AND SHOULD CONTINUE TO CLIMB AS THE ECONOMY EXPANDS. OBVIOUSLY, THE SAUDI MARKET WILL REMAIN OF GREAT IMPORTANCE TO THE KOREANS, WHO WILL EXPLOIT OPPORTUNITIES SUCH AS THESE MEETINGS TO

CLOSE THE PAYMENTS GAP IN WHATEVER WAY POSSIBLE.
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